

CALVIN TOWNSHIP
CASS COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2008

TOWNSHIP BOARD

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Leozie S. Broadnax

Eddie Ballard

Keith Carter

Adrienne D. Glover

Supervisor

Clerk

Treasurer

Trustee

Trustee

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Calvin Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calvin Township (the "Township"), as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Calvin Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calvin Township as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and page 22 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calvin Township's basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Schaffer & Layher".

Schaffer & Layher
September 12, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

- This Township's combined net assets increased \$2,151 or less than 1% from a year ago – increasing from \$1,728,329 to \$1,730,480.
- Total governmental fund revenues were \$357,690 and fund expenditures were \$348,273 for the current fiscal year.

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Calvin Township's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as fire, ambulance and debt retirement	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets > Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of fiduciary net assets > Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township include:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

Fund Financial Statements, concluded

- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. weed control) or to show that it is properly using certain taxes and grants (i.e. ambulance, fire, and debt retirement).

The Township has the following two kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$1,730,480. In a condensed format the following table below shows a breakdown of the net assets:

	<u>Governmental Activities</u>
Current Assets	\$ 235,844
Capital Assets, net	1,931,446
Total Assets	\$ 2,167,290
Long-term debt outstanding	\$ 436,810
Other liabilities	-
Total Liabilities	\$ 436,810
Net Assets	
Invested in capital assets, net of related debt	\$ 1,494,636
Unrestricted	235,844
Total Net Assets	\$ 1,730,480

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$2,151 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$235,844 or about 66.33% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

Financial Analysis of the Township as a Whole, concluded

The following table shows the changes of the net assets as of the current date.

	Governmental <u>Activities</u>
Program Revenues	
Property Taxes	\$ 171,374
Licenses and Permits	21,674
Intergovernmental Revenues	140,220
Interest and Rentals	2,616
Miscellaneous Revenue	21,806
Total Revenues	<u>\$ 357,690</u>
Program Expenses	
General Government	\$ 151,136
Public Safety	45,229
Public Works	51,239
Community/Economic Development	10,300
Recreation and Culture	6,953
Other	19,072
Depreciation	52,536
Interest on Long-term debt	19,074
Total Expenses	<u>\$ 355,539</u>
Change in Net Assets	<u><u>\$ 2,151</u></u>

The Township's net assets continue to remain healthy. As a result, net assets grew by \$2,151.

Governmental Activities

The Township's total governmental revenues have increased slightly over last year, while expenses decreased during the year. This expense decrease was primarily due to the result of shifting public safety expenditures to a special revenue fund for new millages.

The Township's Funds

Our analysis of the Township's major funds begins on page 10 following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2008 included the General and Debt Retirement Funds.

The General Fund pays for most of the Township's governmental services, including general government, public safety, and other. The most significant is general government, which incurred expenses of \$151,136 in fiscal 2008. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board made no amendments to the budget.

Capital Asset and Debt Administration

At the end of March 31, 2008, the Township had investment in capital assets for its governmental activities of \$1,931,446 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township anticipates little to no capital acquisitions for the next fiscal year.

Long-Term Debt

At the end of March 31, 2008, the Township had two outstanding bond issues totaling \$436,810. Series A bonds for the Diamond Lake sewer project funded through the Cass Area Utilities Authority, and other Special Assessment Bonds for the Paradise Lake sewer project.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates revenue over expenditures in the governmental activities next year.

Comparative Information

The financial report does not show any comparative data, because the Township only prepares bi-annual audits in accordance with State law.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	Governmental <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 205,856
Taxes Receivable	14,582
Internal Balances	15,406
Capital Assets, Net	1,931,446
Total Assets	<u>\$ 2,167,290</u>
Liabilities	
Accounts Payable	\$ -
Noncurrent Liabilities	
Due Within One Year	45,270
Due in More Than One Year	391,540
Total Liabilities	<u>\$ 436,810</u>
Net Assets	
Invested in Capital Assets Net of Related Debt	\$ 1,494,636
Unrestricted	235,844
Total Net Assets	<u>\$ 1,730,480</u>
Total Liabilities and Net Assets	<u>\$ 2,167,290</u>

The notes to the financial statements are an integral part of these statements.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
March 31, 2008

Primary Government
Governmental Activities

General Government	\$ 151,136	\$ 21,674	\$ -	\$ (129,462)
Public Safety	45,229	-	-	(45,229)
Public Works	51,239	-	-	(51,239)
Community/Economic Development	10,300			(10,300)
Recreation and Culture	6,953	-	-	(6,953)
Other	19,072	-	-	(19,072)
Depreciation	52,536	-	-	(52,536)
Interest on Long-Term Debt	19,074	-	-	(19,074)
Total Governmental Activities	<u>\$ 355,539</u>	<u>\$ 21,674</u>	<u>\$ -</u>	<u>\$ (333,865)</u>

General Revenues

Property Taxes	\$ 171,374
State Shared Revenues	140,220
Interest and Rentals	2,616
Miscellaneous	21,806
Total General Revenues	<u>\$ 336,016</u>
Change in Net Assets	<u>\$ 2,151</u>
Net Assets-Beginning of Year	<u>1,728,329</u>
Net Assets-Ending of Year	<u><u>\$ 1,730,480</u></u>

The notes to the financial statements are an integral part of these statements.

CALVIN TOWNSHIP**GOVERNMENTAL FUND BALANCE SHEET
March 31, 2008**

	General Fund	Paradise Lake Debt Service	Diamond Lake Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 80,597	\$ 47,974	\$ 31,846	\$ 45,439	\$ 205,856
Taxes receivable	3,959	2,539	2,820	5,264	14,582
Due from fiduciary funds	8,355	1,671	1,529	3,851	15,406
Total Assets	\$ 92,911	\$ 52,184	\$ 36,195	\$ 54,554	\$ 235,844
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Other current liabilities	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance					
Reserved	\$ -	\$ 52,184	\$ 36,195	\$ -	\$ 88,379
Unreserved:					
Designated	-	-	-	-	-
Undesignated	92,911	-	-	54,554	147,465
Total Fund Equity	\$ 92,911	\$ 52,184	\$ 36,195	\$ 54,554	\$ 235,844
Total Liabilities and Fund Equity	\$ 92,911	\$ 52,184	\$ 36,195	\$ 54,554	

Amounts reported for governmental activities in the statement of net assets are different because:

- * Capital assets used in governmental activities are not financial resources and are not reported in the funds 1,931,446
- * Long-term liabilities are not due and payable in the current period and are not reported in the funds. (436,810)

Net Assets of Governmental Activities \$ 1,730,480

The notes to the financial statements are an integral part of these statements.

CALVIN TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
March 31, 2008**

	General Fund	Paradise Lake Debt Service	Diamond Lake Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 63,515	\$ 23,145	\$ 35,922	\$ 48,792	\$ 171,374
Licenses and Permits	21,674	-	-	-	21,674
Intergovernmental Revenue	140,220	-	-	-	140,220
Interest and rentals	2,085	154	377	-	2,616
Miscellaneous Revenues	14,831	-	6,975	-	21,806
Total Revenues	<u>\$ 242,325</u>	<u>\$ 23,299</u>	<u>\$ 43,274</u>	<u>\$ 48,792</u>	<u>\$ 357,690</u>
Expenditures					
Current					
General Government	\$ 147,584	\$ -	\$ -	\$ 3,552	\$ 151,136
Public Safety	3,040	-	-	42,189	45,229
Public Works	51,239	-	-	-	51,239
Community/Economic Development	10,300	-	-	-	10,300
Recreation and Culture	6,953	-	-	-	6,953
Other	19,072	-	-	-	19,072
Debt Service	-	21,932	42,412	-	64,344
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>\$ 238,188</u>	<u>\$ 21,932</u>	<u>\$ 42,412</u>	<u>\$ 45,741</u>	<u>\$ 348,273</u>
Excess of Revenues Over Expenditures	\$ 4,137	\$ 1,367	\$ 862	\$ 3,051	\$ 9,417
Fund Balance-Beginning of Year	<u>88,774</u>	<u>50,817</u>	<u>35,333</u>	<u>51,503</u>	
Fund Balance-End of Year	<u>\$ 92,911</u>	<u>\$ 52,184</u>	<u>\$ 36,195</u>	<u>\$ 54,554</u>	

Amounts reported for governmental activities in the statement of activities are different because:

* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. (52,536)

* Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 45,270

Change in Net Assets of Governmental Activities \$ 2,151

The notes to the financial statements are an integral part of these statements.

FIDUCIARY FUND – STATEMENT OF NET ASSETS
March 31, 2008

	<u>Agency Funds</u>
	<u>Property Tax</u>
	<u>Collection Fund</u>
Assets	
Cash and cash equivalents	\$ 15,406
Total Assets	<u>\$ 15,406</u>
Liabilities	
Due to other governmental funds:	
General Fund	\$ 8,355
Ambulance Fund	2,321
Diamond Lake Sewer Fund	1,529
Weed Contron Fund	525
Fire Fund	1,005
Paradise Lake Sewer Fund	1,671
Due to other governmental units	-
Total Liabilities	<u>\$ 15,406</u>

The notes to the financial statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Calvin Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2008.

Discretely Presented Component Units—Component units are reported within the “component units” column in the government-wide financial statements. The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete. There were no such units at March 31, 2008.

Jointly Governed Organization—The Township has no jointly governed organizations:

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, concluded**

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund.

The Paradise Lake and Diamond Lake Debt Service Funds are the Township's funds for the special assessment millage resources and the related debt service expenditures.

Additionally, the government reports the following non-major fund types:

Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes, (i.e. Fire, Ambulance, and Weed Control.)

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government – wide statements. Agency Funds are custodial in nature (assets equal liabilities) and don't involve a measurement of result of operations.

Agency Fund – the Township presently maintains a Property Tax Collection Fund to record transactions of tax collections and disbursements for local taxing units within the Township. This fund is segregated and held in trust for the local unit until distributed.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded.**

they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issues prior to December 1, 1989, are generally followed in the government –wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government – wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2007 ad valorem tax is levied and collectible on December 1, 2007 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Township totaled \$69,300,149 million, on which ad valorem taxes levied which consisted of .7274 mills for the Township's operating purposes. These amounts are recognized in the respective funds financial statements as current tax revenue.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60	years
Building Improvements	15 to 30	years
Land Improvements	10 to 20	years
Water and Sewer Lines	50 to 75	years
Vehicles	3 to 5	years
Office Equipment	5 to 7	years
Computer Equipment	3 to 7	years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

D. Assets, Liabilities, and Net Assets or Equity, concluded

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days.) As a result there is no liability with regards to vacation days.

Long-Term Obligations—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearing are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There were no amendments during the year.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures over Appropriations in Major Budgeted Funds—during the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government - Supervisor	\$ 13,750	\$ 13,924	\$ (174)
General Government - All other general government	17,600	19,711	(2,111)
Public Safety - Inspections	17,000	18,329	(1,329)
Public Safety - Police Protection	-	3,040	(3,040)
Public Works - Public works, streets, highways	50,000	51,239	(1,239)
Recreation and Culture - Parks and recreation	6,000	6,953	(953)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earnings deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At March 31, 2008, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 205,856	\$ 15,406
Certificate of deposits > 90 days	-	-
Total	<u>\$ 205,856</u>	<u>\$ 15,406</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts, C/D's)	\$ 205,856	\$ 15,406
Petty Cash and Cash on Hand	-	-
	<u>\$ 205,856</u>	<u>\$ 15,406</u>

Bank Deposits:

All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Custodial Credit Risk - Deposits:**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$312,912 of the Township's bank balance of \$512,912 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Township has put further restrictions on those investments through its current policy, with no current year investments.

Interest rate risk:

In accordance with its investment policy, the Township will minimize interest rate risk. The market value of securities in the portfolio will fail this risk due to changes in market interest rates, or by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. This will help avoid the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of March 31, 2008, the Township had no investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of March 31, 2008, the Township had no investments.

Custodial Credit Risk – Investments:

For an investment, this risk will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2008, the Township had no investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments, which have this type of risk.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major, nonmajor, and fiduciary funds taken together, including the applicable allowances for uncollectible accounts, are as follows:

	General <u>Fund</u>	Paradise <u>Lake</u>	Diamond <u>Lake</u>	Non Major <u>Funds</u>	<u>Total</u>
Taxes Receivable	\$ 3,959	\$ 2,539	\$ 2,820	\$ 5,264	\$ 14,582
Less: Allowance for Uncollectible	-	-	-	-	-
Net Receivables	<u>\$ 3,959</u>	<u>\$ 2,539</u>	<u>\$ 2,820</u>	<u>\$ 5,264</u>	<u>\$ 14,582</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	<u>\$ 44,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,113</u>
Capital assets being depreciated				
Building	\$ 50,810	\$ -	\$ -	\$ 50,810
Furniture and Fixtures	9,362	-	-	9,362
Computers	662	-	-	662
Diamond Lake Sewer System	785,501	-	-	785,501
Paradise Lake Sewer System	1,315,976	-	-	1,315,976
Subtotal	<u>\$ 2,162,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162,311</u>
Less Accumulated Depreciation	<u>(222,442)</u>	<u>(52,536)</u>	<u>-</u>	<u>(274,978)</u>
Net Capital Assets Being Depreciated	<u>\$ 1,939,869</u>	<u>\$ (52,536)</u>	<u>\$ -</u>	<u>\$ 1,887,333</u>
Governmental activities total capital assets - net of depreciation	<u><u>\$ 1,983,982</u></u>			<u><u>\$ 1,931,446</u></u>

Depreciation expense was not charged to programs of the governmental activities. The Township considers its assets to impact multiple activities and allocations are not practical.

NOTE 6. LONG TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Series A Special Assessment Bond	2.00%	9/10/2010	\$ 157,080	\$ (39,270)	\$ 117,810	\$ 39,270
Special Assessment Bonds (Paradise Lake)	5.00%	2/1/2041	325,000	(6,000)	319,000	6,000
Total			<u>\$ 482,080</u>	<u>\$ (45,270)</u>	<u>\$ 436,810</u>	<u>\$ 45,270</u>

Interest expense of \$19,074 was not charged to programs of the governmental activities as the Township considers it to impact multiple activities.

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended March 31,	<u>Governmental Activities</u>	
	Principal	Interest
2009	\$ 45,270	\$ 18,306
2010	45,270	17,221
2011	46,270	16,135
2012	7,000	15,000
2013	7,000	14,650
2014-2018	39,000	67,700
2019-2023	45,000	57,250
2024-2028	50,000	45,500
2029-2033	56,000	32,700
2034-2038	60,000	18,000
2039-2041	36,000	3,600
Total	<u>\$ 436,810</u>	<u>\$ 306,062</u>

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
General	Fiduciary Fund (Property Tax)	\$ 8,355
Paradise Lake Debt	Fiduciary Fund (Property Tax)	1,671
Diamond Lake Debt	Fiduciary Fund (Property Tax)	1,529
Non-Major Governmental Funds	Fiduciary Fund (Property Tax)	3,851
		<u>\$ 15,406</u>

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9. OPERATING LEASES

The Township did not have any operating or capital leases during the year.

NOTE 10. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of building electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period ended 3/31/08
Revenues (Fee Charged)	\$ 21,674
Expenses	18,329
	<u>\$ 3,345</u>

REQUIRED SUPPLEMENTAL INFORMATION

CALVIN TOWNSHIP**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
March 31, 2008**

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 88,774	\$ 88,774	\$ 88,774	
Resources(Inflows)				
Taxes	\$ 66,000	\$ 66,000	\$ 63,515	\$ (2,485)
Licenses and Permits	25,000	25,000	21,674	(3,326)
Intergovernmental revenue	160,000	160,000	140,220	(19,780)
Interest and Rentals	-	-	2,085	2,085
Other Revenues	15,050	15,050	14,831	(219)
Operating Transfer In	-	-	-	-
Amounts Available for Appropriation	<u>\$ 266,050</u>	<u>\$ 266,050</u>	<u>\$ 242,325</u>	
Charges to Appropriations(Outflows)				
General Government				
Legislative	\$ 24,500	\$ 24,500	\$ 20,010	\$ 4,490
Supervisor	13,750	13,750	13,924	(174)
Elections	1,500	1,500	1,119	381
Assessing Equalization	22,900	22,900	22,157	743
Clerk	15,700	15,700	15,099	601
Treasurer	19,100	19,100	18,603	497
Building and grounds	37,500	37,500	18,632	18,868
All other general government	17,600	17,600	19,711	(2,111)
Public Safety				
Inspections	17,000	17,000	18,329	(1,329)
Police protection	-	-	3,040	(3,040)
Public Works				
Public works, streets, highways, and lights	50,000	50,000	51,239	(1,239)
Community/Economic Development				
Community Planning and Zoning	10,500	10,500	10,300	200
Recreation and Culture				
Parks and recreation	6,000	6,000	6,953	(953)
Other				
Fringes, Benefits, FICA, Insurance, etc.	30,000	30,000	19,072	10,928
Total Charges to Appropriations	<u>\$ 266,050</u>	<u>\$ 266,050</u>	<u>\$ 238,188</u>	
End of Year Fund Balance	<u>\$ 88,774</u>	<u>\$ 88,774</u>	<u>\$ 92,911</u>	

OTHER SUPPLEMENTAL INFORMATION

CALVIN TOWNSHIP**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS****March 31, 2008**

	Fire <u>Fund</u>	Ambulance <u>Fund</u>	Weed Control <u>Fund</u>	Total Non-Major <u>Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 18,717	\$ 13,148	\$ 13,574	\$ 45,439
Due from fiduciary funds	1,005	2,321	525	3,851
Taxes Receivable	2,651	1,988	625	5,264
Total Assets	<u>\$ 22,373</u>	<u>\$ 17,457</u>	<u>\$ 14,724</u>	<u>\$ 54,554</u>
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other governmental funds	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved:				
Undesignated	22,373	17,457	14,724	54,554
Total Fund Equity	<u>\$ 22,373</u>	<u>\$ 17,457</u>	<u>\$ 14,724</u>	<u>\$ 54,554</u>
Total Liabilities and Fund Equity	<u>\$ 22,373</u>	<u>\$ 17,457</u>	<u>\$ 14,724</u>	<u>\$ 54,554</u>

CALVIN TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2008

	<u>Fire Fund</u>	<u>Ambulance Fund</u>	<u>Weed Control Fund</u>	Total Non-Major Governmental <u>Funds</u>
Revenues				
Taxes and Penalties	\$ 24,010	\$ 18,007	\$ 6,775	\$ 48,792
Interest and Rentals	-	-	-	-
Other Revenues	-	-	-	-
Total Revenues	<u>\$ 24,010</u>	<u>\$ 18,007</u>	<u>\$ 6,775</u>	<u>\$ 48,792</u>
Expenditures				
Current				
General Government	\$ -	\$ -	\$ 3,552	\$ 3,552
Public Safety	23,255	18,934	-	42,189
Recreation and Culture	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 23,255</u>	<u>\$ 18,934</u>	<u>\$ 3,552</u>	<u>\$ 45,741</u>
Excess(Deficit) of Revenues Over(Under)				
Expenditures	\$ 755	\$ (927)	\$ 3,223	\$ 3,051
Fund Balance-Beginning of Year	<u>21,618</u>	<u>18,384</u>	<u>11,501</u>	<u>51,503</u>
Fund Balance-End of Year	<u><u>\$ 22,373</u></u>	<u><u>\$ 17,457</u></u>	<u><u>\$ 14,724</u></u>	<u><u>\$ 54,554</u></u>



To the Board Members and Management
Of Calvin Township

In planning and performing our audit of the financial statements of Calvin Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Calvin Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Preparation of Financial Statements

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Service rests with the Service's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Calvin Township. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Segregation of Duties

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. Specifically, we noted that the same individual who is responsible for preparing bank reconciliations makes bank deposits and maintains the computerized general ledger, including the preparation and recording of journal entries. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While a lack of appropriate segregation of duties is a common occurrence in small organizations due to the limited number of employees, the Township should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Board provide a greater review and supervision of accounting functions and procedures. We also recommend that in the future when the Township is adopting new or modifying existing financial policies that they consider the issue of fraud and assure that the policy discusses ways that will prevent, deter, and detect fraud within the area the policy is addressing.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are not material weaknesses.

Other Matters

In addition, we noted other matters involving the internal control and its operation that we would like to report to you.

Township Documents Should Be Mailed and Kept at Township Offices

During our cash testing procedures, we noted some bank statements and certificate of deposit mailings were being mailed directly to the homes of the Township official. We recommend that all Township assets, including mail, be sent directly to the Township offices where they can be properly filed and stored.

Investment Policy

During the course of our audit it was noted that the Township has not updated its investment policy to address the reporting requirements of GASB Statement No. 40. GASB Statement No. 40 was designed to inform financial statement users about deposit and investment risks that could affect the Service's ability to provide services and meet its obligations as they become due.

We recommend the Board update their investment policy to address, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

This communication is intended solely for the information and use of management, the Board Members, and others within the Service, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
St. Joseph, Michigan

September 12, 2008